September 21, 2005

By Email

Mr. David H. Meyer
Acting Deputy Director
Office of Electricity Delivery and Energy Reliability
U.S. Department of Energy
Washington, D.C. 20585

Mr. Meyer:

We appreciate the goals of the Energy Policy Act of 2005 to encourage innovative technologies, reduce cost and, more importantly, to operate the electric grid safely and reliably.

MEAG Power's economic dispatch process includes the evaluation of purchase offers from non-utility generators. In addition, MEAG Power offers its excess energy for sale to enable others to reduce their dispatch costs as well. Thus, MEAG Power would not be in a position to benefit from regional market operations, such as was proposed in SMD.

MEAG Power's response to the economic dispatch survey follows.

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Questions and Responses

1) What are the procedures now used in your region for economic dispatch? Who is performing the dispatch (a utility, an ISO or RTO, or other) and over how large an area (geographic scope, MW load, MW generation resources, number of retail customers within the dispatch area)?

> MEAG Power is a non-profit public corporation and instrumentality of the state of Georgia that provides power to 49 Georgia communities that in turn bring energy to approximately 600,000 citizens. MEAG Power co-owns two coal and two nuclear generating plants that provide MEAG Power with 1,566 megawatts of generating capacity, fully owns a combined cycle facility with a generating capacity of 503

megawatts. MEAG Power also owns approximately 1300 miles of transmission that are included in Georgia's Integrated Transmission System[1]. MEAG Power's native load has an annual energy requirement of approximately 11 million MWhs. MEAG Power serves its summer peak load of approximately 2050 MW in part using 431 MW of Southeastern Power Administration hydro resources, which are contracted for by the communities MEAG Power serves. All MEAG Power facilities and its native load delivery points are located in the Southern Company control area.

MEAG Power commits and dispatches its resources pursuant to an operating agreement with Georgia Power Company. The economic dispatch approach used by MEAG Power optimizes the use of non-utility resources through off-system transactions. Off-system offers, some of which are from non-utility generators, that reduce cost are incorporated in the economic dispatch along with MEAG Power's resources. Using this process, MEAG Power integrated into its economic dispatch approximately 2.5 million MWhs of off-system transactions in 2004.

2) Is the Act's definition of economic dispatch (see above) appropriate? Over what geographic scale or area should economic dispatch be practiced? Besides cost and reliability, are there any other factors or considerations that should be considered in economic dispatch, and why?

MEAG Power adopts the response of the Large Public Power Council ("LPPC").

3) How do economic dispatch procedures differ for different classes of generation, including utility-owned versus non-utility generation? Do actual operational practices differ from the formal procedures required under tariff or federal or state rules, or from the economic dispatch definition above? If there is a difference, please indicate what the difference is, how often this occurs, and its impacts upon non-utility generation and upon retail electricity users. If you have specific analyses or studies that document your position, please provide them.

MEAG Power adopts the response of the LPPC.

4) What changes in economic dispatch procedures would lead to more non-utility generator dispatch? If you think that changes are needed to current economic dispatch procedures in your area to better enable economic dispatch participation by non-utility generators, please explain the changes you recommend.

MEAG Power adopts the response of the LPPC.

As an additional note, MEAG Power urges DOE not to rely on computer models with overly simplified algorithms and data since doing so may result in an unrealistic assessment of the potential benefits of alternative approaches to economic dispatch.

[1] The other co-owners of the Georgia Integrated Transmission System are Dalton Utilities, Georgia Power Company and Georgia Transmission Company.

Benchmarking studies[2] indicate that there is a great variation in the accuracy of these models. Even when using the best computer models great effort is required to specify data that captures all the relevant factors and constraints that impact the dispatch. For example, if dispatch alternatives are studied that rely on bids, then the study approach and computer models must be sophisticated enough to capture the bidding strategies and behaviors that expected to be used by market participants.

5) If economic dispatch causes greater dispatch and use of non-utility generation, what effects might this have – on the grid, on the mix of energy and capacity available to retail customers, to energy prices and costs, to environmental emissions, or other impacts? How would this affect retail customers in particular states or nationwide? If you have specific analyses to support your position, please provide them to us.

MEAG Power adopts the response of the LPPC.

6) Could there be any implications for grid reliability – positive or negative – from greater use of economic dispatch? If so, how should economic dispatch be modified or enhanced to protect reliability?

MEAG Power adopts the response of the LPPC.

[2] "Benchmarking studies" as used here refers to the practice of simulating some historical period of time with computer models (some call it backcasting), comparing the computer model results with actual operating results and evaluating the model and the data to understand the root cause of any differences.